

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 IO-13 EB-07 COME-00 TRSE-00 AID-05
AGRE-00 STR-04 L-03 SIL-01 LAB-04 CU-02 CIAE-00
DODE-00 PM-04 H-01 INR-07 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 OMB-01 /091 W
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TO SECSTATE WASHDC 6604
INFO AMEMBASSY PRETORIA
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E.O. 11652: N/A

TAGS: PFOR, EAID, LT, SF

SUBJECT: SAG RETALIATES VS LESOTHO FOR UNSC COMPLAINT

1. BEGIN SUMMARY. GOL OFFICIALS, INCLUDING THE PRIME MINISTER, FON MIN, AG MIN AND OTHERS WENT OUT OF THEIR WAY DURING MY INITIAL CALLS TO INFORM ME OF SOUTH AFRICAN'S GOVERNMENT'S DECISION TO WITHDRAW ITS SUBSIDY ON MAIZE AS OF JAN 1. WITHDRAWAL OF THE SUBSIDY IS COSTLY TO GOL (E.G. IN INCREASED CORNMEAL, WHEAT FLOUR AND BREAD PRICES). THE FACT THE SAG TOOK THIS ACTION ONLY AGAINST LESOTHO (BOTSWANA AND SWAZILAND ARE NOT AFFECTED) IS CONSIDERED PROOF SAG INTENDS IT AS RETALIATION FOR GOL COMPLAINT IN UNSC RE TRANSKEI. GOL OFFICIALS ALSO AFFIRM THAT SAG ACTION, WITHOUT CONSULTATION, IS CONTRARY TO CUSTOMS UNION AGREEMENT. SAG DECISION FIRST CAME TO ATTENTION OF MOST GOL OFFICIALS IN REGIONAL PRESS ARTICLE WHICH HAS FURTHER IRRITATED THEM. ONE RANKING OFFICIAL (MIN AG) SAID HE BELIEVES THIS IS ONLY FIRST OF A SERIES OF QTE VINDICTIVE UNQTE ACTIONS, WITH REMOVAL OF RAILWAY SUBSIDY THE MOST LIKELY NEXT STEP. END SUMMARY.

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2. BLOEMFONTEIN "FRIEND" ARTICLE: THE JAN. 4 DAILY "BLOEMFONTEIN FRIEND" REPORTED THAT SAG HAS DECIDED TO WITHDRAW ITS SUBSIDY OF MAIZE (CORN) PRODUCTS SHIPPED TO LESOTHO. AFTER POINTING OUT THE SUBSIDY WAS BEING RETAINED FOR BOTSWANA AND SWAZILAND, THE PRESS ARTICLE STATES ITS REPORTER WAS QTE CONFIDENTIALLY BUT RELIABLY INFORMED IN PRETORIA UNQTE THAT THE ACTION QTE IS DEFINITELY AN

EXPRESSION OF DISAPPOINTMENT IN THE WAY LESOTHO HAS BEEN
CONDUCTING ITSELF AS A NEIGHBOR UNQTE.

3. CONSEQUENCES OF THE SUBSIDY MEANS LESOTHO WILL HAVE TO PAY
ABOUT R15 MORE PER METRIC TON FOR THE MAIZE IT IMPORTS FROM
SOUTH AFRICA (RAND IS WORTH \$1.15). GOL OFFICIALS SAY MAIZE
IMPORTS WILL COST ABOUT 2 MILLION RANDS (2.3 MILLION DOLS) MORE
PER YEAR. EMBASSY UNABLE AS YET TO SUBSTANTIATE THIS FIGURE.
HOWEVER BASED ON 1975 MAIZE IMPORT STATISTICS, THE SUBSIDY
(R15.85 PER METRIC TON) WOULD REPRESENT APPROXIMATELY R934.408
PER YEAR. WE FURTHER UNDERSTAND THAT SAG SUBSIDY OF WHEAT
PRODUCTS HAS BEEN CUT (ALONG WITH THAT ON CORN). WEIGHT FIGURES
FOR WHEAT IMPORTS ARE UNAVAILABLE, BUT THE INCREASED COST, PER
METRIC TON, FOR THE MAJOR CATAGORIES OF WHEAT PRODUCTS ARE AS
FOLLOWS:

BREAD FLOUR	R35.73 PMT
ROUGH MILLED FLOUR	R77.54 PMT
UNSIFTED FLOUR	R63.47 PMT

WHOLESALEERS TELL US THAT COST PER LOAF OF WHITE BREAD WILL RISE
FROM 20 CENTS TO 25 CENTS, AND BROWN BREAD FROM 16 CENTS TO
20 1/2 CENTS.

4. GOL REACTION: WITHDRAWAL OF THE SA SUBSIDY WAS RAISED ON MY
INITIAL COURTESY CALL ON FONMIN, BY THE PM, MIN AG AND SEVERAL
OTHER CABINET OFFICIALS AT RECEPTION GIVEN JAN. 6 BY FONMIN. ALL
INTERPRET SAG ACTION AS PURELY AND SIMPLY RETALIATION FOR
LESOTHO'S REFUSAL TO RECOGNIZE THE TRANSKEI. MIN AG SAID GOL
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PLANS TO REPORT THIS RECENT SAG ACTION ON MAIZE LEVY TO THE U.N.
AS EXAMPLE OF SAG QTE VINDICTIVENESS UNQTE. HE BELIEVES IT IS ONLY
PRELUDE TO OTHER FORMS OF QTE RETALIATION UNQTE, WITH RAILWAY
SUBSIDY NEXT MOST VULNERABLE. PM SAID GOL MIGHT REQUEST INCREASED
US FOOD AID TO COMPENSATE FOR ADDED COSTS.

COMMENT: BREAD AND MAIZE-MEAL ARE THE STAPLES OF THE BASOTHO
DIET. INCREASED COST IN THESE BASICS WOULD DAMAGE THE ALREADY
PITIFULLY WEAK PURCHASING POWER OF THE AVERAGE BASOTHO.
IT IS INTERESTING, HOWEVER, THAT NOT ONE GOL OFFICIAL HAS
SUGGESTED PROTESTING SAG ACTION, ONLY THE MANNER (RPT MANNER) IN
WHICH IT WAS CARRIED OUT. ALTHOUGH IT MAY BE BRAVADO, THE
UNANIMOUS REACTION THUS FAR HAS BEEN TO STRENGTHEN GOL DETERMINATION
NOT TO GIVE SAG THE SATISFACTION OF SHOWING ANY OUTWARD CONCERN.
IN FACT, IT PRODUCED TWO HEALTHY EFFECTS, NAMELY A VIGIROUS
DECLARATION BY MIN AG OF GOL'S NEED FOR SELF-SUFFICIENCY IN FOOD,
AND THE PM'S ASSERTION IN HIS NEW YEAR'S MESSAGE THAT QTE THIS
ACTION ON THE PART OF THE GOVERNMENT OF SOUTH AFRICA SHOULD BE A
LESSON AND A BLESSING IN DISGUISE, HOWEVER PAINFUL UNQTE.

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